COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2361-03
BILL NO.: HB 1331
SUBJECT: Taxation and Revenue - Income; Agriculture and Animals.
TYPE: Original
DATE: March 10, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	$0 to ($14,000,000)	$0 to ($14,000,000)	$0 to ($14,000,000)
Total Estimated Net Effect on All State Funds	**$0 to ($14,000,000)**	**$0 to ($14,000,000)**	**$0 to ($14,000,000)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	**$0**	**$0 to ($2,250,000)**	**$0 to ($2,250,000)**

Numbers within parentheses: ( ) indicate costs or losses
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Department of Economic Development (DED)** states this proposal raises the tax credit availability for new generation cooperatives to $30 million. The program is not administered by the DED, so they are not fiscally impacted by this proposal. The DED does, however, estimate an additional $24 million in tax credits authorized in each of next three fiscal years.

The **Department of Agriculture (AGR)** states this proposal increases New Generation Cooperative Incentive Tax credits available from $6 million to $20 million. The AGR states this proposal would result in a reduction of tax income to the state by the amount of the claimed tax credits. There is a sunset for issuance of these tax credits on December 31, 2010. However, if the maximum of $20 million in tax credits were issued in new generation cooperative incentive tax credits, there would have been $40 million of member investment (50% tax credit) plus investment through other financing. The economic activity from these new generation cooperatives would more than offset the cost of tax credits.

The AGR assumes that they will need three (3) FTE to implement this program. However, the AGR has requested the three FTE and necessary expenses in the FY 2001 budget to implement HB 888 from last year, and state that no additional staff would be needed if the budget request is funded.

The **Department of Revenue** assumes this proposal will result in little or no administrative impact to their agency.

Officials from the **University of Missouri - Outreach & Extension** anticipate no fiscal impact from this proposal.

Officials from the **Office of Administration, Budget and Planning** assume the Department of Economic Development is better suited to respond to this proposal.

Officials from the **Department of Natural Resources (DNR)** states this proposal would raise the tax credits available for new generation cooperatives and increases the maximum credit allowed per taxpayer. However, the DNR assumes the proposed legislation does not change their authority and therefore, would not fiscally impact their agency.

Officials from the **Department of Insurance (INS)** state this proposed legislation grants additional tax credits against an insurer's premium tax payments (chapter 148 RSMo) for contributions to the New Generation Cooperative Incentives Program. Tax credits are increased from an annual limit of $6 million to $30 million and increases individual limit to 50% of investment, or fifty thousand dollars.

ASSUMPTION (continued)

The INS assumes there are approximately 300 domiciled insurance companies in Missouri which pay premium tax and it is assumed that only domiciled insurance companies would contribute. A maximum credit of $50,000 x 300 companies = $15 million in potential credits. The INS states the limit is currently $6 million, which leaves a potential decrease of $9 million. The INS assumes that domiciled insurance companies could potentially use one-half of the credits, or $4.5 million. Therefore, a range of $0 to $4.5 million is projected for decreased payments to premium tax, which is split 50/50 between the General Revenue Fund and the County Foreign Fund for school districts.

Oversight assumes the current limit of tax credits for New Generation Cooperatives (RSMo Sec. 348.432) is $6 million. With this proposal, in RSMo Section 348.434 (3) (1), this limit is raised to twenty million, a $14 million annual increase. Tax credits pursuant to RSMo Section 348.430 can be issued from July 2, 1999 through June 30, 2000, which is not in the scope of this fiscal note since there is not an emergency provision with this proposal. Therefore, Oversight assumes the annual decrease in total state revenues from this proposal is an annual range of $0 to $14 million.

FISCAL IMPACT - State Government	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
Loss - Increased tax credits for New Generation Cooperatives	$0 to ($14,000,000)	$0 to ($14,000,000)	$0 to ($14,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0 to ($14,000,000)**	**$0 to ($14,000,000)**	**$0 to ($14,000,000)**

FISCAL IMPACT - Local Government	FY 2001 (10 Mo.)	FY 2002	FY 2003
SCHOOL DISTRICTS			
Loss - School Districts County Foreign Insurance Tax	$0	$0 to ($2,250,000)	$0 to ($2,250,000)

ESTIMATED NET EFFECT TO SCHOOL DISTRICTS	**$0**	**$0 to ($2,250,000)**	**$0 to ($2,250,000)**

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal because of possible increased contributions.

DESCRIPTION

Currently, a person who contributes funds to the Missouri Agricultural and Small Business Development Authority may receive a tax credit for such contribution and members of a new generation cooperative investing in a new generation cooperative may receive a tax credit for such investment of the lesser of 50% of the investment or $15,000. This bill increases the maximum tax credit receivable by a member of a new generation cooperative investing in the cooperative to the lesser of 50% of the investment or $50,000. The bill increases several other dollar amounts relating to projects approved by the authority, contributions to its fund, and the aggregate of tax credits offered by the authority in certain years including:

(1) The amount of tax credits which may be offered for one project is increased to $5 million (currently $150,000);

(2) The ceiling on the aggregate of tax credits offered to contributors and members is increased to $30 million (currently $6 million);

(3) In fiscal year 2000, up to $20 million (currently up to $3 million) in investor tax credits are to be issued by the authority with the remaining tax credits to be issued to contributors;

(4) Beginning fiscal year 2001, the authority is to determine the amount of tax credits issued to contributors and investors. The investor portion of tax credits is not to exceed $20 million (currently $6 million); and

(5) The balance of funds available to the authority is not to exceed $30 million (currently $12 million). .

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Department of Agriculture
Office of Administration
Budget and Planning
Department of Natural Resources
Department of Insurance
University of Missouri (extension service)

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Director
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